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REPORT ON THE WORK OF THE GOVERNMENT

DELIVERED AT THE FIRST SESSION
OF THE FIRST NATIONAL PEOPLE'S
CONGRESS OF THE PEOPLE'S
REPUBLIC OF CHINA ON
SEPTEMBER 23, 1954

Chou En-lai

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FIRST NATIONAL PEOPLE'S CONGRESS
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CHOU EN-LAI

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Fellow deputies,

The first session of the first National People's Congress, having heard the report made by Comrade Liu Shao-chi on the Draft Constitution and after three days' discussion on this report, has splendidly accomplished a historic task, that is, the adoption of the fundamental law of our State—the Constitution of the People's Republic of China, and has subsequently enacted several important laws. Now I shall make a report on the work of the Central People's Government on its behalf.

The fundamental aim of the great people's revolution of ours is to set free the productive forces of our country from the oppression of imperialism, feudalism and bureaucratic capitalism and, eventually, from the bonds of capitalism and the limitations of small-scale production, so as to enable our national economy to advance rapidly according to plan along the road of Socialism, and thus to raise the level of the material and cultural life of the people and firmly keep our country independent and secure. The economy of our country was originally in a very backward state. Unless we establish a powerful, modern industry, a modern agriculture, modern communications and transport services and modern national defence, we will not be able to shake off our backwardness and poverty, nor will we be able to attain the aim of our revolution. During the years from 1949 to 1952, the Central People's Government, in accordance with the provisions of the Common Programme of the Chinese People's

Political Consultative Conference, completed the unification of China's mainland, accomplished the reform of the agrarian system, launched an extensive and intensive campaign to suppress counter-revolutionaries and movements to effect various democratic reforms, rehabilitated the national economy long ravaged by war, emphatically brought about the growth of the Socialist state-owned economy and the various types of cooperative economy, and made initial readjustments of the relations between state-owned and private industry and commerce. All this prepared the ground necessary for planned economic construction and the gradual transition to a Socialist society. Then, from 1953 on, our country embarked upon the first five-year plan of economic construction and started the systematic and gradual Socialist industrialisation of the country and Socialist transformation of agriculture, handicrafts and capitalist industry and commerce. Economic construction has become of primary importance in the entire life of the nation.

The blueprint of the first five-year plan is at present not yet complete and final, and many of its details are being supplemented and amended. It is well-known that the guiding principle of the first five-year plan is: to concentrate our main efforts on the development of heavy industry so as to lay a foundation of the industrialisation of the country and the modernisation of national defence; to develop, correspondingly, communications and transport services, light industry, agriculture and commerce; to train, correspondingly, personnel for construction; to promote the gradual formation of cooperatives in agriculture and handicrafts; to continue the transformation of capitalist industry and commerce; to ensure the steady growth of the Socialist sector in proportion to other sectors of the national economy; to enable at the

same time individual farming, handicrafts and capitalist industry and commerce to play a proper role; and to ensure that the level of the material and cultural life of the people is gradually raised on the basis of the development of production. The first five-year plan calls for the concentration of our main efforts on developing heavy industry, namely, the metallurgical, fuel, power, machine-building and chemical industries, because only by relying on heavy industry can we ensure the development of the whole range of industry, of modern agriculture, communications and transport services and of modern national defence, and because, in the final analysis, only by relying on heavy industry can we ensure the continuous betterment of the material and cultural life of the people. Of course, heavy industry needs more capital, takes longer to build up and to yield profit, and most of its products are not for direct consumption of the people. Consequently, in the period when the State concentrates its efforts on developing heavy industry, the people have to bear some hardships and inconveniences in their life for the time being notwithstanding the corresponding development of light industry and agriculture. But, which is better: to bear certain temporary hardships and inconveniences in order that in the long run we shall live in prosperity and happiness; or to seek petty benefits now and thus never be able to shake off poverty and backwardness? We believe that everyone will certainly consider the first idea a good one and the second a bad one.

During the period from 1949 to 1952, when the task of rehabilitating our industry was rapidly fulfilled, the total value of our industrial production increased annually at an average rate of 36.9 per cent. Of course, in the period of construction, the tempo of industrial expansion is slower, yet

the total value of our industrial output in 1953 exceeded that of 1952 by 33 per cent. It is estimated that the total value of the output of modern industries in 1954 will be 4.2 times that of 1949. If we include both agriculture and handicrafts, then the total value of our industrial and agricultural output this year will be 2.2 times that of 1949. Such a rate of growth was inconceivable in old China.

From the estimates of the output of several leading industrial products for 1954, as compared with 1949, we can see the following impressive figures: electric power, 10,800 million kilowatt-hour—2.5 times 1949; coal, 81,990,000 tons—2.6 times 1949; pig iron, 3,030,000 tons—12.4 times 1949; steel, 2,170,000 tons—13.7 times 1949; metal-working machines, 13,513—8.5 times 1949; cement, 4,730,000 tons—7.2 times 1949; cotton yarn, 4,600,000 bales—2.6 times 1949; and machine-made paper, 480,000 tons—4.5 times 1949. Although the output is still low, the rate of increase shows that our future is unlimited if we can keep up the effort.

It should be pointed out that three factors in the growth of industry deserve special attention. The first is the rapid increase, in terms of value, of the proportion of modern industrial output in the total industrial and agricultural output. While in 1949 this proportion was about 17 per cent, by the end of 1954 it is estimated to reach nearly 33 per cent. The second is the rapid increase, in terms of value, of the proportion of the production of means of production in the total industrial output. While the production of consumer goods for 1954 will be about 3.1 times that of 1949, the production of means of production will be about 5.7 times that of 1949. The proportion, in terms of value, of the production of means of production to the total industrial output will rise from 28.8 per

cent in 1949 to 42.3 per cent in 1954. The third is the rapid increase, in terms of value, of the proportion of production by state, cooperative and joint state-and-private industries in the total industrial output. As the state and cooperative industries are expanding every year, and as capitalist industries are beginning to turn in numbers into joint state-and-private industries, this proportion is estimated to grow from 37 per cent in 1949 to about 71 per cent in 1954. This means that, in terms of value, the proportion of the production by the capitalist industries which have not been turned into joint state-and-private industries will constitute only about 29 per cent of the total industrial output.

These statistics show that our country is advancing towards the goal of industrialisation, towards the goal of Socialism.

Although the original industrial foundation of our country was weak, it nevertheless constitutes the main sources of industrial products, industrial profits and industrial personnel. It would be utterly wrong to ignore this foundation. We must utilise the original industrial bases and industrial enterprises to their fullest capacity, and bring into full play their potential power to increase both the quantity and types of goods produced, so that they can play an important role in national construction, in accumulating capital, in training personnel and supplying equipment and in providing for the people's needs. However, the original industries of our country are after all very backward ; they are unintegrated and unevenly developed. The industrialisation of our country, therefore, must depend mainly on the building up of new industries, particularly of heavy industries.

In our first five-year plan, important industrial units to

be newly built or to be improved total at about 600, the sinews of which, as we all know, are the 141 projects the Soviet Union is helping us to build. The latter projects include modern iron and steel complexes, non-ferrous metallurgical plants, coal mines, oil industries, plants for making heavy machinery of various types and for making automobiles, tractors, and aircraft as well as power stations and chemical works. With the completion of these projects, our country's industrial production level and technological level will be greatly raised. We will produce by ourselves metallurgical power generating, oil extracting as well as forging and pressing equipments. We will produce motor vehicles, locomotives, tractors and airplanes. We will also have new industrial regions and industrial bases which will begin to change the present irrational distribution of industries in our country. Most of these projects will be completed in 1958 and a small number will take nearly ten years to finish. The total investment already made in industrial capital construction for the whole country was 96 per cent higher in 1953 than in 1952 ; while the total investment for the capital construction in industry planned for 1954 is 28 per cent higher than the investment in 1953. In 1954, important industrial units to be improved, newly built or continued to be under construction total 300, and it is estimated that, within this year, 51 important projects will be completed. Among the 141 projects which the Soviet Union is helping us to build, 17 have been wholly or partially completed and in operation, including the Heavy Rolling Mill, Seamless Steel Tubing Mill and Steel Sheet Mill of the Anshan Iron and Steel Company, as well as the Haichow Open-cut Coal Mine at Fuhsin. There are 34 under construction, while blueprints are being drawn up for the rest, with construction to start soon.

From what has been said above, we can see clearly that it is no idle talk for the Constitution of the People's Republic of China to provide for the gradual achievement of Socialist industrialisation, for the guidance of the development and transformation of the national economy through economic planning, to bring about a constant increase of the productive forces, for priority to be given to the development of state enterprises, and for the encouragement and guidance of the transformation of capitalist enterprises into state-capitalist enterprises. All these are already living realities that we are bringing into being. The working people of the whole land are making heroic efforts and are rapidly changing the whole aspect of our country under the guidance of the Chinese Communist Party and the People's Government. We shall certainly be able, in the course of several five-year plans, to build China into a strong, modern, industrialised, Socialist nation.

Planned industrial production and construction is an entirely new field to us. Therefore, we must learn while we work. And, as facts have shown in the past few years, we have made progress both in our work and in learning. Our industrial management is gradually improving. The various industrial departments concerned have achieved many successes and gained a great deal of experience in carrying out planned management, in introducing the responsibility system, in improving technological guidance and in expanding the capacity for geological prospecting and capital construction. The broad mass of workers and office employees have conducted vigorous campaigns to increase production and practise economy and labour emulation drives. Many inventions and creations in technique have been made. Thanks to the joint effort of management personnel and workers, in 1953, labour

productivity in state-owned and joint state-and-private-owned industrial enterprises increased 13 per cent over 1952, while production costs averaged a 3.2 per cent decrease in enterprises under five of the ministries' of the Central People's Government in charge of industry.

But we have no grounds whatever to be complacent. Since we are beginning to learn we are bound to meet with difficulties. And we have already met with not a few difficulties. We have to overcome a great deal of shortcomings in our work. We have not yet attained all targets in our annual plans. For instance, the capital construction plan for 1953 of six ministries of the Central People's Government concerned with industry was fulfilled only 94.3 per cent, and the production plans for hydraulic turbines, salt and sugar were also not fulfilled. As to building projects and production enterprises even more failed to fulfil their plans. For example, inspection by the Ministry of Heavy Industry discloses that in total value of production the Ministry's plan for 1953 was overfulfilled, yet one out of every four of the production enterprises under its administration failed to complete its plan; and if we examine the fulfilment of targets from the four aspects of total production value, production costs, profit and labour productivity, then only 30 per cent of the enterprises completed their plans in all of these aspects. In addition, the plans of some enterprises were too conservative and could easily be overfulfilled, thus losing the significance of guiding production. One such striking example is the Shenyang (Mukden) Dyestuffs Factory, which fulfilled its planned profit for 1953 by more than 500 per cent. Similar situations are also to be found in other ministries concerned with industry and are sometimes even more serious. We must exert great efforts to change this state of affairs.

Inadequate planning is one of the pressing problems in our industries at present. Many of our plans are not accurate or adequately integrated; often they are ill-coordinated or revised too frequently. Obviously, there are many objective difficulties which cannot be easily overcome in a short period. But many cases of unbalanced supply, production and sales, of range and specifications of products not meeting requirements, of disconnection between surveying and prospecting, designing, and carrying out the actual construction work and of lack of coordination between communications, municipal planning of industrial cities and industrial construction are due to lack of subjective effort and mistakes in work. This state of affairs must be improved as far as possible in order to reduce the losses incurred by the State. The various enterprises, the departments responsible and the state planning and statistical bodies must make systematic and comprehensive study of production and demand, and of conditions in every aspect in construction work. They must carry out repeated and detailed balancing and calculations. They must establish better coordination and cooperation between related departments, take into full account suggestions put forward by the broad masses of employees and workers. Only by so doing can correct quotas be arrived at and advanced and accurate plans worked out. In executing these plans, it is necessary to carry out thorough investigations and discover and solve problems as they arise, so as to ensure the over-all fulfilment of the state plans.

Another vital problem in the field of industry is the very great waste in many departments and enterprises, due to ignoring the importance of the economical use of capital and of controlling overhead costs. A striking instance is afforded by the waste in the construction of the Taiyuan Power Plant, the

details of which were recently published by the People's Daily of Peking. More than 14,400 million yuan were tied up by unplanned buying of materials ; more than 2,570 million yuan were lost through failure to apply promptly to the State for the allocation and delivery of materials ; more than 1,800 million yuan were lost due to wasteful use of materials ; more than 2,350 million yuan were lost due to low working efficiency ; and 2,300 million yuan were lost due to the erection of temporary dwellings of much too high quality at the construction site. These figures do not include losses through mislaying materials on the construction site and through waste in the purchase of furnishings. At present, situations of this sort are far from rare in our capital construction projects. In many capital construction projects, no appropriate standard has yet been determined. Many cities, government organisations, schools and enterprises have often erected buildings which are not urgently needed or which are too sumptuously constructed thus wilfully wasting the limited capital of the State, many industrial enterprises have also caused big losses to the State because of inflated administrative organisations, poor administration, improper use of raw materials, bad organisation of labour, slack discipline at work, low quality of product, inadequate attention to safety measures in production and various other reasons. The six ministries in charge of industry and the six ministries of geology, building, railways, communications, posts and tele-communications, and forestry can save 280,000 million yuan a year for the State if the building and installation costs in their construction projects are reduced by one per cent, calculating on the basis of the planned figures for 1954. Furthermore, state-owned industries of both the Central People's Government and local people's governments can save 840,000 million yuan a year for the State if their produc-

tion costs are reduced by one per cent ; they can save 1,600,000 million yuan a year for the State if their labour productivity is raised by only one per cent. Therefore, every state-owned enterprise and building project must make great efforts to fulfil and overfulfil the plans of the State in every respect, carry out thorough-going systems of business accounting and of rigid economy and strive for lower production costs, in order to increase capital accumulation by the State and to eliminate waste.

Insufficient technical man-power and poor technical administration also present an important problem in industry. Without modern technique there can be no modern industry. The technical man-power inherited by our industry was very slight, and the technical personnel trained by the existing higher institutions, so far as their number, quality and the range of subjects in which they specialise are concerned, still cannot meet the needs of industry and capital construction within a short period of time. In these circumstances, in order to raise the present technical level, and the administrative level of enterprises, improve the quality of products, increase the items and quantity of new products and ensure the completion of modernized new enterprises and master the production techniques in these new enterprises, the utilisation and raising of the abilities of the existing technical personnel must be still more rational and effective, and the work of organising technical man-power, training technical staff in the enterprises must be strengthened. But it is precisely in this field that we still have serious drawbacks. In many industrial enterprises and industrial administrations, trained technical personnel are not assigned in a proper way, not organised for reasonable employment. Nor have necessary systems been established in technical work, nor have factory regulations and technical

safety precaution been strictly observed. On the other hand there are many enterprises which have paid attention to the training of skilled workers in general, but nevertheless have paid little attention to training technicians and highly-skilled workers and given insufficient attention to technical experimentation and research. Consequently, many technical problems that could have been solved have become insoluble or cannot be correctly solved. This chaotic situation must be quickly straightened out. Every enterprise must make great efforts to establish technical training classes, spare-time technical schools, must organise administrative personnel, technicians and workers to earnestly study technique, and must learn from and popularise advanced Soviet experience, and especially the technical experience gained in designing, construction, installation, operation and production in the 141 projects which our country is building with the help of the Soviet Union. All enterprises must launch well-directed technical renovation campaigns among the staff personnel and workers.

To strengthen planning, to further economise our capital and to improve technical administration—this is the urgent task of the industrial departments, as well as departments of transport and communications, water conservancy, forestry and other departments engaged in capital construction. Commercial departments and administrative organisations of state-owned agriculture should also see to it that this task is carried out.

Agriculture in our country has made fresh advances since the land reform. The 1952 output of grain and cotton exceeded the peak annual level before liberation. In 1953, owing to some rather serious natural calamities, the plan for

agriculture was not fulfilled. Nevertheless, the output of grain was still slightly higher than in 1952 and the output of cotton also surpassed the pre-liberation level. This year, because of serious floods in areas along the Yangtze and Huai Rivers agricultural production also will not be able to fulfil the plan. However, a bumper crop of wheat was harvested this summer and the autumn harvest in most parts of the land is expected to be good. So the output of grain and cotton for the whole year will exceed that of 1953. The output of grain this year is expected to be 50 per cent higher and of cotton 180 per cent higher compared with 1949

The growth of agriculture exerts a many-sided influence on the growth of industry. Many industries, especially the textile and food industries, depend on agriculture for raw materials. The industrial and urban populations depend on agriculture for their daily necessities, such as grain, edible oils and other foodstuff. The imported machinery needed by industry has to be paid for mainly by the export of agricultural produce. The principal markets for a great number of industrial products are in the countryside. For this reason, during the past few years, the Central People's Government has made great efforts in the fields of finance, technique, and water conservancy to assist the development of agriculture. The peasants on their part have actively responded to the call of the Government to develop mutual-aid and co-operation, to strive to increase the output of grain and various industrial crops and have enthusiastically supplied their produce to the State. In the last two years, our country has not only been able to conquer natural calamities, but actually increased agricultural production, and thus consistently maintain market stability. For this, we cannot but express our thanks to the five hundred million peasants throughout the country.

But the growth of agriculture obviously falls behind the needs of the people and the State for agricultural produce. In order that agriculture may develop more quickly and in a more planned way, we must gradually carry out the Socialist transformation of agriculture. That is, to change backward individual farming step by step to collective farming by organizing the peasants into mutual-aid teams and cooperatives on a voluntary basis. The mutual-aid and cooperative movement among the peasants has shown unprecedented growth in the past year. Sixty per cent of all peasant households have already joined mutual-aid teams and cooperatives; the number of agricultural producer cooperatives reached 100,000 by August this year and is expected to increase by the time of spring sowing next year to 500,000 embracing ten million peasant households. We hope that, by the end of the first five-year plan, over one half of all peasant households throughout the country will have joined the agricultural producer cooperatives, and over half the cultivated land will be pooled in the cooperatives.

In order to ensure an increase in agricultural production to meet the over-all needs of our economic development as a whole, it is necessary that the expansion of cooperatives should go hand in hand with a systematic promotion of the use of new types of farm implements, water pumps, water wheels, improved seeds and better farming methods, an increased use of fertilizer, prevention of insect pests, and an increase as far as possible of acreage under cultivation. It is also necessary to increase the acreage planted to cotton and oil-producing crops, so that the output of cotton can meet industrial demands and that the production of oil can quickly reach and surpass the annual peak record of pre-liberation years.

In order to solve difficulties arising from the shortage of draught animals, meat supplies and fertilizer, as well as with a view to increasing the production of furs and hides, efforts must be made to develop animal husbandry. Attention shall also be paid to fishing industry.

In the field of water conservancy, the State in the past few years had built a considerable number of large-scale water conservancy projects, which played a great role in lessening flood and drought damages, and in safeguarding agricultural production, especially in this year's fight against floods. The Huai River harnessing project —not yet entirely completed— has played an even greater part than was anticipated in the prevention of floods. The Chingchiang Flood Detention project, the Kuanting Reservoir and the project leading the Tuliuchienho Canal into the sea have also helped, in varying degrees, to prevent flood devastation. The Yangtze and Huai river floods this year are almost without parallel in the last hundred years and were far more severe than those of 1931, when China was under Kuomintang rule. But the people suffered much less than in the past. Thanks to the efforts of the people in the flood-affected areas, and with the support of the people throughout the country, we were able to protect the important cities like Wuhan, Nanking, Pengpu and Tientsin, the plains of North Kiangsu and North Anhwei and the Chingchiang Dykes, and thus to reduce the damage to a vast expanse of farmland. About one-tenth of the farmland of the country, totalling over 160 million mou, has been inundated. Drainage and steps taken to save or replant the seedlings however, have salvaged about half the flooded from being famine-stricken. Of the over 80 million mou of the still flooded farmlands, 30 million mou have not yet been drained nor can it be done shortly. In the flooded areas the Govern-

ment is making sustained efforts to reduce the effect of the calamity, to drain the flooded area and to promptly replant the land with seedlings. A drive to overfulfil the production quota is under way in unaffected areas, so as to compensate for the loss of crops in the flooded areas. The struggle against natural calamities is a protracted and arduous task of our people. Therefore, more and greater efforts should be made in water conservancy. The floods this year have revealed many defects in our water conservancy work: for example, in general there was a tendency in setting low water level standards for which the projects were designed; individual projects were not safe enough; for a period control of waterlogging and irrigation were to an extent neglected. From now on we must continue harnessing the worst flood-producing rivers by making positive efforts to plan the harnessing of the whole river courses, to coordinate what is expedient with fundamental measures, and to stress both flood prevention and drainage work. At the same time we must energetically develop farm irrigation work, so that calamities from floods and drought can be gradually reduced and eliminated and an increase in agricultural production be guaranteed.

Afforestation is of great importance in supplying the timber needed for construction work and in prevention catastrophes of flood, drought, sandstorms and hurricane. China's present timber resources are not enough. Apart from making greater efforts in afforestation and in the timber industry, we must exploit our forests and use the timber with fore-thought and economy. Moreover, a mass movement for the protection and planting of forests must be effectively spread throughout the country.

Handicraft industry has an important role to play in the

national economy of our country. Like the peasants, handicraftsmen are swiftly organising producers' cooperatives among themselves. According to statistics up to the end of 1953, 300,000 handicraftsmen have been organised into over 4,800 producers' cooperatives. Such cooperatives should be actively developed from now on in a more planned way.

Communication, transport, post and tele-communication services have also been restored and have made strides forward in the last five years. In 1949, 21,700 kilometres of railway trunk lines were in operation.

This will reach 25,500 kilometres this year as a result of repairs and new construction of many railway lines in the last few years. On the Paochi-Chengtuo Railway, the section from Chengtu to Kuangyuan will be laid this year. On the Lanchow-Sinkiang Railway, a section will be laid as far west as Huaihsipao, which is west of Wuwei. A total of over 140,000 kilometres of highways will be in use this year. The Sikang-Tibet Highway, a highway which is unusually difficult to build but of great significance, will be opened to traffic within the year. Maritime and inland shipping have also developed. In post and tele-communications, a network has been formed with Peking as its centre, a project that basically meets the needs of national construction and the people.

A constant rise in transport capacity, in order to meet the rapidly growing needs of the national economy, is one of the chief preoccupations of the communication and transport services. Our railway passenger and freight traffic increases year by year, and it is estimated that this year it will be more than double that of 1950. In order to meet the daily increasing need in transport, we must open new railway lines and improve our transport facilities. Moreover, we should improve

management and tap the latent forces in railway transport capacity. In particular, we should further cut the time taken by turn-round of railway coaches and vessels. Moreover, the proper coordination of water and land transport, the gradual rationalisation of such transport problems as the uneconomic long haul or the contrary, the over-short haul, the wasteful carriage in opposite directions of the same type of article and other such wasteful procedures will not only raise our total transport capacity, but greatly reduce transport costs. All the departments in this field must make a common effort to meet this requirement.

In the last five years, domestic and foreign trade has made tremendous strides. In 1953, the total sum of retail sales increased to 325 million million yuan, that is, 1.8 times that of 1950. Foreign trade also increased to 1.8 times that of 1950. State-operated commerce has already attained a position to handle the whole or a major part of all the principal commodities which are needed for the national welfare and the people's livelihood ; it has in its charge the whole foreign trade. By the first half of this year supply and marketing cooperatives and consumers' cooperatives had over 31,000 primary branches with a membership of over 165,520,000. And they have become powerful adjuncts of state-operated commerce handled about half the total retail trade of the entire country and about 80 per cent of the total wholesale trade.

As a counterpoise to the dis-equilibrium between supply and demand, arising from the fact that the people's purchasing power has outstripped the production of consumer goods, the Central People's Government introduced a system of planned purchase and supply of grain, edible oils and cotton

cloth, as well as of planned purchase of cotton. These measures, adopted in order to regulate the relations between supply and demand, to stabilize market prices, and to safeguard the livelihood of the people and the needs of construction of the State, are absolutely necessary and timely.

These measures have safeguarded the interests not only of the broad masses of urban and rural consumers, but also of the broad masses of agricultural producers. They are disadvantageous only to the interests of a small number of profiteers. That explains why these measures have won the support of all the people throughout the country.

This planned supply of principal consumer goods will not only continue to be carried out, but may be extended to include a wider range in a period when consumer goods production has not yet sufficiently developed. So far as the planned purchase of staple products is concerned, it will be gradually expanded in line with the development of the Socialist sector of economy. Of course this is very complicated work, representing enormous change in the life of the people and in social economy. Hence, in the initial stage, it is hardly avoidable that some passing defects in the work crop up and that the people should experience certain temporary inconveniences. But, if we wish not to suffer any more from the sky rocketting of commodity prices or from production stagnation caused by speculations on the part of unscrupulous merchants, but wish to have capitalist, speculative trade replaced by Socialist trade in order really to meet the needs of the whole population—then, the system of planned purchase and supply is a measure which the State must take.

A fundamental change in the position of state-operated trade has taken place, as a result of the extension, on the one

hand, of the scope of planned purchase and supply, and, on the other, of the increase in the orders placed by the State with private enterprises for manufacturing and processing, as well as sales and purchase contracts made with them. State-operated trade, which in the last few years covered only a fraction of the market, has now grown to embrace the major part. It has become the leading force in every branch of trading activity throughout the country. It has now become necessary for the state trading administration to assume responsibility for planning, and to take full charge of the whole home market. It should draw up plans for the circulation of commodities, decide what steps and measures should be taken to transform and handle the whole of private trade, bearing in mind the need to keep a balance between purchasing power and the volume of commodity production, and the relative proportions of trade handled by the State, cooperatives and private merchants, and the relationships between them. Our state trading departments have not yet been able, however, to cope entirely with this vast change in the home market. As a result, they have been often unable to avoid being placed in a passive position. This defect in our trade administration and other drawbacks of our trading establishments such as the failure to make a thorough study of supply and demand or the incurring of inflated administrative expenses, must be swiftly eliminated.

The Socialist transformation of capitalist industry and commerce is an important part of our fundamental task in the transition period. In the past few years we have already transformed a major section of capitalist industry into various forms of state-capitalist enterprises. Judging by the trend of events, the transformation of capitalist industry will be

carried out chiefly through the advanced form of state-capitalism—joint state-private-owned enterprises. In 1953, the value of output of industries jointly operated by state and private capital was over nine times as much as in 1949, and in 1954, it will be more than double that in 1953. Of similar importance is the intermediate form of state-capitalism, in which the State places orders with private-owned enterprises for manufacturing and processing as well as make sales and purchase contracts with them. It is important in that this form prepares the ground for the joint operation by both state and private capital; and even greater successes have been registered in this connection. In the first half of 1954, in eight leading cities—Shanghai, Tientsin, Peking, Wuhan, Canton, Shenyang (Mukden), Chungking and Sian, the value of output of the capitalist enterprises which accepted government orders for manufacturing, processing, buying and selling accounted for about 80 per cent of the total value of output of all the capitalist enterprises in these cities during the same period. With the carrying into execution of the planned purchase and supply of foodstuffs, edible oils and cotton cloth, large numbers of private shops dealing in these goods have been transformed into marketing agencies for state trading organisations. This makes for a rapid growth of the state-capitalist sector in private commerce, and has opened the path for the transformation of one branch after another of capitalist commerce.

The transformation of capitalist industry and commerce is a process of struggle and education. To do a good job, in this respect, we need to acquire more experience. It should be pointed out here that in this process the transformation of capitalist enterprises and the re-education of capitalists

should be combined. This means : on the one hand, we have to transform capitalist enterprises finally into advanced Socialist enterprises, and, on the other, we have to remould the ideology of capitalists and their agents, so as to make them, as far as possible, play a positive and beneficial role in the process of Socialist transformation.

In the last five years, the financial position of the State has undergone a marked change. We not only changed rapidly from having an unfavourable financial deficit, to having a balance of revenue and expenditure, but also now possess a certain surplus each year to swell the State's credit funds. This balance of revenue and expenditure was reached under circumstances when both our revenue and expenditure were greatly increased. The State's budgetary revenue of 1954, apart from the budget surplus of the previous year, is estimated to be 3.6 times that of 1950. At the same time, the sources of revenue have changed greatly. From 1950 to 1954, the percentage of the taxes paid by peasants dropped from 29.6 per cent of the total national revenue to 13.4 per cent, while that of taxation and profits paid to the State by the state-operated enterprises and cooperatives of Socialist types has increased from 34.1 per cent to 66.1 per cent. In the last five years, together with the increase in revenue, our financial outgoings also increased greatly. In the 1954 budget, the allocation for economic construction is 650 per cent of that of 1950 ; the percentage of the total estimated financial expenditure on economic construction has also increased—from 25.5 per cent in 1950 to 45.4 per cent in the 1954 budget. In the last five years, the State has allocated a total of 328 million million yuan for economic construction of which the figures for 1953 and 1954 cover 200 million million yuan. It shows that by relying on the support of the people of the whole country, we have

already accumulated the necessary funds for our industrialisation. In the 1954 budget, expenditure on cultural, educational work, public health and social welfare amounts to 490 per cent of the 1950 figure. The proportion allocated to this item in the budgetary expenditure has also increased, from 11.1 per cent in 1950 to 14.7 per cent in 1954. At the same time, the proportion of expenditure on organs of state, including expenditure on national defence and state administration has been reduced, from 60.8 per cent in 1950 to 30.7 per cent in the 1954 budget. In detail, the allocation on national defence has dropped from 41.5 per cent to 21.1 per cent, while administrative expenditure from 19.3 per cent to 9.6 per cent. From this it is clear that our state budget is a budget of peace, a budget of a constructive character.

The immediate tasks of our financial work are to continue to carry through a fair tax policy, encourage the people to bank their surplus capital or to buy bonds with it, strengthen the financial management in the enterprises, reduce state administrative expenditure, and enforce close financial supervision and financial discipline, so as to ensure that the necessary reserves are forthcoming for the period of economic construction. In a word, we must continue to make every effort to accumulate still greater capital reserves and employ them in a yet more rational way for the cause of the industrialisation of our country. In order to fulfil these tasks, we shall have to conduct a series of struggles. Our finance is the people's finance : in plain words, we "collect revenues from the people and spend them on the people." Both the National People's Congress and all local people's congresses have the duty and power to supervise our revenue and expenditure. We hope the deputies will supervise the government workers and join with them in fighting against any possible waste of funds,

against the over-expansion of government organs, against any act which runs counter to our financial system, against any carelessness of state property and failure to practise rigid economy or failure to strive for the accumulation of funds, against tax evasion, theft of state property, and other acts of corruption. To fight against all this is to uphold Socialism, and to fight for the early realisation of a Socialist society.

All our work is done in the interest of the people. Our economic and financial work is, directly or indirectly, all for the improvement in the people's material and cultural life. Everybody has seen the accomplishments of our work in these aspects.

In the past several years, one of the important results we have achieved in improving the people's livelihood is stabilisation of the financial market and commodity prices, which makes the people's lives secure. The State must continue its efforts in keeping prices stable so that further improvements in the people's livelihood can be brought about.

As the result of the needs of our national construction and increased production more and more people are finding employment every year, unemployment inherited from old China now presents less of a problem. In 1953, the number of workers and staff members in state-owned and private enterprises had risen to about 13,745,000. The People's Government not only adopted a policy of taking over all the personnel of the former Kuomintang government and the workers and staff members in bureaucrat-capitalist enterprises, thus preventing increase in unemployment, it also did its utmost in helping the unemployed find work. From July 1950 to the end of 1953, the labour bureaux alone helped find jobs for 2,070,000 people in various parts of the country.

However, since our country's productivity has yet to be developed and it has a large population, the problem of employment will remain in a comparatively long period. We will continue to carry through the policy which has been proved effective in the past several years to solve this problem step by step.

In recent years, the living standards of workers and employees have shown great improvement. The statistics of five industrial departments under the central authority show that average wages in 1953 registered a 84 per cent increase in terms of money over 1950. Great improvements have also been made in working conditions and welfare facilities for workers and employees. Labour insurance funds, medical expenses, grants for educational purposes and welfare funds paid out directly by the aforementioned industrial departments for workers and employees on the average, amount to 17 per cent of the total wage-bill. In 1953, more than 4,800,000 workers and employees enjoyed the benefits provided under the Labour Insurance Regulations; and more than 5,290,000 workers in government organisations and schools were entitled to free medical treatment. In most of the medium-size and small enterprises, the workers and employees have succeeded in getting the management to sign labour insurance contracts. In 1953, the State built living quarters for workers and employees with a floor space of 12,000,000 square metres. Besides, there is also a steady increase in welfare and cultural facilities sponsored by the management or trade union of an enterprise. Deeply concerned for safety at work, the State has spent vast sums of money to improve the safety and hygiene in industries and mines. As a result, the rate of accidents has been steadily decreasing from year to year.

Obviously, the economic development of our country must find its parallel in the improvement of the people's livelihood, since the sole aim of Socialist economy is to satisfy the people's material and cultural needs. To fully satisfy these needs, the Socialist economy must grow continuously. It is wrong, therefore, to emphasise one at the expense of the other in any way. It would be a manifestation of economism to raise wages and improve welfare measures too quickly and not take into consideration the present level of production; this would be against the long-term interests of the working class; and it would be a manifestation of bureaucratism to ignore completely the welfare and safety of workers and employees, to neglect, or to be unwilling to solve, problems that must and can be solved. We must fight against both these erroneous tendencies at the same time.

Adjustments have been made in the wages system during the past few years; but some confusion still exists, and, in many places, equalitarianism has not yet been overcome. Equalitarianism is a type of petty bourgeois outlook which encourages backwardness and obstructs progress; it has nothing in common with a Socialist system and Marxism. Equalitarianism damps down the enthusiasm of workers and employees in acquiring technique and raising labour productivity and is harmful to the development of our economic construction. We must, therefore, resolutely oppose equalitarianism. There is also considerable confusion as regards the merit system in enterprises, which must be put right. In our government offices and in certain state-owned enterprises, the wages system exists side by side with the supply system. The supply system used to play an important role during the revolutionary war; but it is not in keeping with our principle "to each according to his work," or with business accounting.

Today it does more harm than good. Therefore, we must work out an appropriate plan based on the requirements of Socialist construction, and strive to achieve a basically uniform and reasonable wage system and merit system for the whole country, within a few years, and step by step replace the supply system.

During the last few years, the living conditions of the broad mass of peasants have shown marked improvement as regards clothing, food, lodgings and so forth. This results from the completion of land reform, the recovery and growth of agricultural production, the higher prices offered by the State for agricultural products, the improvement in the agricultural tax system and increases in agricultural loans and in the number of agricultural credit cooperatives. The purchasing power of our rural population showed in 1953 an increase of 76 per cent over the 1950 level. But because our agricultural production is backward and because the acreage under cultivation is still not large enough, our peasants still live at a rather low level and, in times of natural disaster, they can incur great troubles. The aggregate of funds allocated by state finance to relief purposes during the years 1950 to 1953 amounted to eight million million yuan. The relief funds in 1954 amount to three million million yuan, for the greatest part to the rural areas. From now on, the People's Government must continue to help the peasants, including individual peasants, to further improve their living conditions, on the basis of intensifying the movement for mutual-aid and co-operation in agriculture and increasing agricultural production.

During the last few years, we have carried out a nationwide, popular patriotic sanitation and hygiene movement. With this movement we not only smashed the bacteriological

warfare waged by the American aggressors, but also diminished infectious diseases and improved the people's health. Our medical and public health services have also made progress. By the end of 1953, there were 3,068 hospitals under the Ministry of Public Health. The number of hospital beds throughout the country had increased 411 per cent, as compared with the peak figure before the liberation. The expansion of maternity and child welfare work has considerably reduced mortality rates among infants and mothers. But especially the health work in our factories and mines still falls far short of the needs of economic construction. We must strengthen these services and gradually put them under unified leadership by local public health departments. Besides, there are several hundred thousand herb doctors all over the villages and cities of our country. Local public health departments must conscientiously rally them, educate and make use of them, and cooperate with them in re-evaluating and developing the part of Chinese medical science and experience which has proved useful.

Our school education has made tremendous progress too. As compared with the highest pre-liberation level, the number of students in institutes of higher learning throughout the country had increased 40 per cent by the end of 1950, that is, the total enrolment being more than 216,000 students; the number of students in technical secondary schools, 75 per cent, that is, the total enrolment being 670,000 students; the number of secondary school students, 96 per cent, that is, the total enrolment being more than 2,930,000 students; the number of primary school pupils, 117 per cent, that is, the total enrolment being more than 51,500,000 pupils; and the number of children in kindergartens, 226 per cent, that is, the total enrolment being 425,000 pupils. Year by year, there are more

students of worker and peasant origin in all grades of schools. We have also established short-term secondary schools in which we are training our new intellectuals—of worker and peasant origin. This year's enrolment in such schools is four times that of 1951. During the past few years, there have been considerable reforms in the system of school education, in contents and methods of teaching. These successful reforms are related to the ideological reform movement of vast numbers of our intellectuals. The work of the ideological reforms of the intellectual is effective. It should be continued in an appropriate manner and in accordance with practical needs. It is generally admitted that intellectuals who are armed with revolutionary ideas and scientific and technical knowledge are now playing a much more important role in the work of national economic construction.

To meet the needs of our economic construction, the educational departments must, first of all, concentrate on the development and improvement of higher education. Under the present conditions of our country, the primary and secondary schools have quite large enrolments and should aim at higher standards. Both primary and secondary schools must teach their pupils to love work so that many of them will, after graduation, take their places in our industry and agriculture.

The scientific, cultural and art work of our country has made great strides and important contributions in the past few years. In order to enable our scientific research to fully satisfy the demands of various spheres and make the cultural and art activities meet the more extensive needs of the masses, from now on the Government must greatly strengthen its leadership in these two kinds of work.

In the matter of improving the people's material and cultural life, the Central People's Government has paid special attention to the areas inhabited by the national minorities. To help the national minorities develop their economy and culture so as to enable them to attain step by step a real equality is a policy which has been so far advocated and pursued by us. In the past few years, the economic and financial departments have organised a number of trade fairs in the minority areas, in which the business was transacted at fair and reasonable prices, and have extended various kinds of loans in support of the agriculture and animal husbandry of the national minorities. All these have played an important role in the improvement of the economic life of the national minorities. The public health departments have sent a large number of medical workers to help the minority areas prevent or reduce the spread of epidemics and have also established medical or health centres there. In the minority areas three hundred and nine county hospitals have been opened. In the whole country, there are 38 hospitals for national minorities and more than 2,700 senior and junior national minority medical workers. In the educational field, the enrolment of the national minority students in the whole country in 1953 was as follows: more than 2,546,000 primary school pupils, 163,000 secondary school students and 5,500 students in institutions of higher learning. More than 140,000 cadres of the national minorities have been trained either in schools or by other methods of education. These cadres form an important force in the realization of regional autonomy for nationalities.

Fellow deputies ! As I said before, to gradually improve the material and cultural life of the people is for us a task of a constant and fundamental character and, of course, what we

are doing now is not enough. We must make still greater efforts. However, in considering this question at present, we must first of all link it up with our cause of Socialist construction which is now underway. It is common knowledge that our country has been a backward agricultural country and it is a great task now to build our country into a powerful, Socialist, modernized and industrial country. There can be no doubt that we will face many difficulties, both economic and financial, in carrying out this task, and we must not ignore them. What is our way to surmount these difficulties? Fundamentally, it is to rely on the united will, industry and strivings of our entire people. The people throughout our country must focus their attention on the long-term interests at the present time when our country needs to concentrate the main strength on building heavy industry, that is, laying the Socialist foundation. We cannot see only the immediate interests and overlook the long-term interests. For the happiness of generations and generations to come, we cannot but shoulder the many difficulties for the time being. We are fully confident that we can overcome all difficulties and hardships. We must make every effort to carry out the central task of the State during the transition period as prescribed in the Constitution, the most essential thing being that every one of us must concern himself with the raising of the productive forces of our country. We must understand that to increase production is of decisive importance to our entire people and to our country. Only by the constant increase and the constant expansion of production can we gradually eliminate the poverty of our people, can we consolidate the victory of our revolution and can we assure ourselves of a future. We will not put up with any breach of economic discipline, labour discipline and financial discipline and violation of public property and squandering of State funds. We must oppose all ideas and deeds which care for

only oneself but not the society, only one's department but not the whole, only the immediate present but not the future, only one's rights but not the fulfilment of one's duty and only consumption but not production. For all these phenomena impede the development of production of our country and consequently impede the happiness of our future.

The development of our country's economic construction and the improvement in the life of the people could not have happened without the consolidation and growth of the people's democratic state power and without the strengthening of organs of state.

After the founding of the People's Republic of China, the Central People's Government quickly organised the various ministries and other central state organs, while setting up local people's governments at all levels throughout the country. Except Taiwan Province which is yet to be liberated, our people have established their own state power in 25 provinces, in the Inner Mongolian Autonomous Region, in Tibet Region, in the Changtu area, in three municipalities directly under the central authority, in 2,116 counties and administrative units of county level, in 163 municipalities, 821 municipal districts, 220,466 hsiang, and 65 organs of self-government above county level have been established in national autonomous areas.

The greater area level of administration in the system of local state power had played an important role for our work in the past few years. But since, during the period of planned economic construction, the State requires more centralized coordination and, therefore, a reduction in organizational levels, in order to increase working efficiency, the greater area level of administration was abolished by decision of the Central People's Government in June of this year.

Our organs of state belong to the masses of people and serve the masses of people. Therefore, they are, in principle, fundamentally different from the organs of state in the old China, which oppressed the people. Our organs of state at all levels are formed of the active elements of various democratic classes and mainly the active elements of the working people. The guiding principle of work in all our state bodies is democratic centralism, collective leadership and the mass line. Such long-standing evil practices of the old bureaucratic organs as using position to satisfy individual selfish ends, corruption, extortion, nepotism, beating and cursing people are utterly impermissible to our state bodies ; and the overwhelming majority of our government workers are free from such practices. The people see for the first time a government which is honest, sincere and hard-working, which is closely tied to the masses and shares all hardships and difficulties with them.

During the early years of the People's Republic of China, we adopted a transitional measure of people's representative conferences, while conditions were not yet ripe for calling together the people's congresses, this system of people's representative conferences was continuously enlarged and improved upon, so that these people's representative conferences gradually assumed the functions and powers of people's congresses and elected local people's governments. Since 1953, democratic elections on a large scale, such as had never been known in the history of China, were held in all parts of the country. Excepting a few areas where elections were temporarily postponed, there were altogether 323,809,684 registered voters from 214,798 primary electoral units. The number of persons who went to the polls reached 278,093,100, constituting 85.88 per cent of the total number of registered voters. At

the primary level, a total 5,669,144 deputies were elected to the people's congresses. And 84.01 per cent of the total number of women voters registered went to the polls and 17.31 per cent of the deputies elected were women. The elections fully demonstrated the heightened level of the people's political enthusiasm and political consciousness, as well as their confidence in and support for the Chinese Communist Party and the People's Government.

Right after the elections at the primary level, local people's congresses met to elect their deputies to the local people's congresses at the county level and above and, on this basis, to elect deputies to the National People's Congress. The deputies to the National People's Congress and to the local people's congresses, include representatives of the various nationalities, democratic classes, popular organisations and democratic parties and groups. This shows that our organs of state power are fully representative, and that they are of the character of a people's democratic united front. All the broad masses of the Chinese people support the leadership of the working class and the Communist Party of China, and the cause of Socialist construction and Socialist transformation. The worker-peasant alliance in our country, and the people's democratic united front based on this alliance, stand firm. That is the conclusion which we should draw from the results of the elections. There is no doubt whatsoever that the elections will serve as a great stimulus to the work of our state bodies.

There are at present still some defects in the work of our organs of state. In the past five years, the Central Committee of the Chinese Communist Party and the Central People's Government time and again drew the attention of

organs of state throughout the country to overcome bureaucratism and commandism in their work, and called on them to develop criticism and self-criticism, to strengthen their contacts with the masses of the people, to pay attention to overcome departmentalism in their work, and to observe revolutionary discipline and the principle of collective leadership. Furthermore, they led organs of state throughout the country in 1952 to wage a large-scale struggle against corruption, waste and bureaucratism of which some members of the working personnel were found guilty. All this did much to consolidate and improve our organs of state. In our organs of state today, corruption and waste have been very considerably reduced. Bureaucratism, commandism and departmentalism have diminished to a great extent as compared with days gone by. Nevertheless, it is a long-term task for us to consolidate and improve our organs of state. It should be pointed out that among our working personnel there are still some who violate the principle of democratic centralism and the principle of following the mass line. They often let individual leadership take the place of collective leadership. They often substitute bureaucratism, which isolates them from the masses, for democratic leadership. They often fail to concern themselves with the problems of the masses, and are reluctant to listen to criticisms made by the masses. They even come down upon those who criticize them or take retaliatory measures. They often do what they arbitrarily think is right, fail to respect the unified leadership of their superiors and do not pay attention to observe the system of seeking instructions and submitting reports. All these tendencies, which are incompatible with our state system, must be thoroughly conquered. There are still traces of extravagance and waste, and cases of bribery and corruption. We must continue to wage a struggle

against such practices with a view to finally eliminating them. Only by so doing can our organs of state correctly serve the cause of Socialist construction.

After our country entered upon the period of economic construction, it has been more urgent than ever for our government workers to earnestly learn to do their jobs well, to study sciences, to go out to the masses and to acquaint themselves with their conditions and substitute formalistic, generalised guidance with concrete and realistic leadership. We must oppose the empty redtapes that neither raise nor settle any problem. We must oppose such meetings which are unprepared, tend to be protracted, and reach no conclusion. We must oppose those government workers who know only how to tie themselves to office desks, sit at meetings and sign documents; who do not learn to do their jobs well; who do not keep themselves posted on what is happening around them; who do not check and examine the result of their work; and who stand aloof from the masses. We must oppose superfluity in organisations, inefficiency, lax discipline and lack of clear-cut definition of responsibilities in some organs of state, because all this, in effect, is an indication of bureaucratism and completely runs counter to the requirements of our organs of state and the interests of the people's cause. The present session of the National People's Congress has already adopted a number of important laws governing the organisation of central and local organs of state. The various departments of the Central People's Government and local administrative organs at various levels, during their reorganisation in accordance with these laws, must bear in mind the abovestated drawbacks and wage a resolute fight against them. We must strive to improve the work of our organs of state.

To practise democracy among the people and dictatorship over the people's enemies are two inseparable aspects of our people's democratic system. In the last few years, we have carried out a mass movement to suppress counter-revolutionaries. This dealt a severe blow to the counter-revolutionary elements ; made it possible for the righteousness of people to triumph ; and consolidated revolutionary order and social security. But this does not mean that the counter-revolutionary elements have since been completely eliminated. No ! Remnant counter-revolutionary elements not only still exist but have resorted to more hidden and vicious means to carry out their subversive activities. As long as the imperialist encirclement and the class struggle within the country still exist, these counter-revolutionary elements cannot be entirely wiped out and their subversive activities will not cease. Moreover, the greater the victory of our cause of Socialism, the more intensified will be their subversive activities to undermine our victory. Therefore, we must continue to strengthen this unrelenting struggle of ours against the counter-revolutionaries. We certainly must not relax at all.

The policy of our State towards counter-revolutionary elements is one of suppression coupled with leniency. That is to say we rigidly suppress all those whose crimes are iniquitous and who are stubbornly hostile to the people or are diehards who refuse to repent. Towards ordinary counter-revolutionary criminals, we adopt the policy of combining punishment with reform, to allow them a chance of making a fresh start through the process of reform by work. In this connection, we have achieved very big results in the past few years. According to statistics up to the end of 1953, more than 80 per cent of the criminals detained have been given work in industry or agriculture. In the course of reform

through work, many criminals have gradually recognised their crimes and repented and were willing to change into law-abiding citizens and have, moreover, learned to work. Consequently, they were able to take up proper occupations when released on the completion of their sentences. Experience has proved that the policy of the State to reform criminals through work not only does remould many of them but also constitutes one of the important means to eliminate remnants of counter-revolution.

Apart from the subversive activities of the counter-revolutionary elements which aim at jeopardizing our cause of Socialism and social security, there are also various criminal deeds perpetrated by other criminals. For instance, unlawful elements of the bourgeoisie resort to all sorts of ways to resist or sabotage Socialist transformation ; the dregs of society—swindlers, rogues, thieves and robbers—do not work but engage in evil practices, steal public property and are a menace to the social order. Among them are a handful of the most seriously unlawful elements who work hand in glove with the counter-revolutionaries to carry on subversive activities. In addition, some members among the working personnel of our organs of state have violated the law and discipline because they are guilty of bribery and corruption, and self-seeking trickery which infringed on the interests of the State and the people. All these law-breaking and criminal elements must be punished in accordance with law.

To defend our country's construction work against subversive activities, it is essential to strengthen the public security, procurator's and judicial organs and strengthen the legislative work and the revolutionary legal system of our State. All ideas of ignoring the belittling work

in the public security and procurator's organs, and in the courts, as well as work regarding legislation and the revolutionary legal system are totally wrong. Our revolutionary legal system will steadily attain perfection, following the promulgation of the Constitution of the People's Republic of China. From now on, all personnel of our organs of state must abide strictly by the Constitution and the law and set an example in law-abidingness. At the same time, it is essential to educate all the people to observe the Constitution and the law, so as to ensure that the laws which express the will of the people may be enforced uniformly throughout the country. The more powerful our Constitution and laws, the more powerful our public security, procurator's and judicial organs, the greater the safeguard for the people's rights and interests, and the heavier the blow will fall on the people's enemies.

To defend our country's construction work against sabotage, it is also essential to strengthen our national defence forces. As long as states openly hostile to the People's Republic of China are engaged in a frantic armaments drive and are intensifying their attempts to threaten the security of our country, we cannot but maintain powerful, modernised national defence forces. That is to say it is necessary for us to have powerful Land, Air and Naval Forces capable of defending the territorial integrity of our country and our territorial air and territorial waters against encroachment.

Everyone can see that all our efforts are directed towards building our country into a prosperous and happy Socialist industrial country. We are proceeding with peaceful labour and we want a peaceful environment and a peaceful

world. This fundamental fact determines the peaceful policy of our country in foreign affairs.

As far back as October 1st, 1949, the day of the founding of the People's Republic of China, Chairman Mao Tse-tung formally proclaimed to the whole world: "This Government is willing to establish diplomatic relations with any foreign government which is willing to observe the principles of equality, mutual benefit and mutual respect for territorial integrity and sovereignty." In pursuance of this policy, our country has established or is establishing diplomatic relations with 25 countries and, in addition, is maintaining business relations with some other countries.

Our country has concluded the Treaty of Friendship, Alliance and Mutual Assistance with the great bulwark of peace, the Soviet Union. In a spirit of friendship and mutual assistance, the Soviet Union has returned to our country without compensation the Chinese Changchun Railway which was formerly jointly operated by China and the Soviet Union, and the enterprises and other properties which the Soviet Union took over from the Japanese in North-east China. To help the economic construction of our country, the Soviet Union has extended to us great material, financial and scientific technical assistance, especially the systematic economic and technical assistance in constructing the 141 enterprises. This sincere cooperation between China and the Soviet Union is bringing into play greater and greater strength to safeguard peace in the Far East and in the whole world. The fact that we have written this friendship into the preamble of our Constitution shows that the friendship between China and the Soviet Union is permanent and unbreakable.

Fraternal friendship and political, economic and cultural cooperation is being daily consolidated and developed between our country and the Polish People's Republic, the Czechoslovak Republic, the People's Republic of Hungary, the Rumanian People's Republic, the People's Republic of Bulgaria, the People's Republic of Albania, the German Democratic Republic, the People's Republic of Mongolia, the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam. The communique on the talks between the Premiers of our country and the German Democratic Republic of July 25th, 1954 expressed the mutual concern and support of the Chinese and German peoples in the cause of peace.

The Chinese people and the people of the Democratic People's Republic of Korea have indissolubly cemented their militant friendship in the joint struggle against United States aggression and for the defence of peace in the Far East. The Sino-Korean Agreement of Economic and Cultural Cooperation of November 23rd, 1953 marks the development of mutual help between the two countries.

The people of our country have always been concerned over the heroic struggle waged by the Viet-Nam people and the peoples of other Indo-Chinese states against colonial war and for national independence. Now a great victory in this struggle has been gained with the agreements reached on restoring peace in Indo-China. Henceforth, in striving for the thorough implementation of these agreements and in the rehabilitation of her national economy, the Democratic Republic of Viet-Nam will have the full support of the Chinese people.

In the past five years, our country has closely united

with our great ally the Soviet Union and the People's Democracies in a joint struggle to defend world peace against war of aggression. Facts have proved that the unity and cooperation among the fraternal countries headed by the Soviet Union has brought about changes in the international situation favourable to the peace forces and unfavourable to the aggressive forces. Henceforth, our country will continue to make the greatest effort to consolidate and develop this unity and cooperation so as to strengthen the forces defending world peace.

The People's Republic of China has always attached importance to peaceful cooperation with the South-east Asian countries and other neighbouring countries, and to the efforts in the cause of peace of such a big Asian country as India. In June 1954, the Chinese and Indian Premiers and the Chinese and Burmese Premiers held separate talks and in their respective joint statements, unanimously affirmed that the five principles of mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence should be the basic principles guiding the relations between China and India and between China and Burma. We believe that the friendly relations between our country and the Republic of Indonesia can also be developed on the basis of these fundamental principles. We also hold that the aforementioned five principles for peaceful co-existence should likewise apply to the relations between our country and Ceylon, Pakistan and other Asian countries as well as to international relations in general.

Contacts are being made for establishing normal relations between China and Afghanistan as well as between

China and Israel. Our country is also prepared to establish normal relations with Nepal.

The agreements of the Geneva Conference on the restoration of peace in Indo-China have guaranteed the independence of Laos and Cambodia, and at the same time, Laos and Cambodia have committed themselves in the agreements not to take part in any military alliance. This has provided the possibility for our country to establish normal relations with these two kingdoms.

Our country hopes to develop business relations with Middle and Near Eastern and African countries so as to enhance mutual contact and understanding and create favourable conditions for the establishment of normal relations.

The Chinese people deeply sympathize with the plight of the Japanese people under the military occupation of the United States. To prevent the revival of Japanese militarism and to prevent the Japanese people from being involved in new military adventures, we hope that Japan can get rid of foreign control and become an independent, democratic and peace-loving country. We hold that the common desire of the Chinese and the Japanese people is to establish normal relations and develop trade between the two countries, and this conforms with the interests of peace in the Far East and Asia.

In the past few years our country has established normal relations with some Western countries, and is now establishing normal relations with some other Western countries. Our relations with Finland, Sweden, Switzerland and Denmark are normal. But there are also certain Western countries which have taken a position incompatible with their recognition of the People's Republic of China. This has caused difficulties to the

establishment of normal relations between those countries and China.

China's relations with Britain were improved during the Geneva Conference owing to the efforts of the delegations of both countries. But the question at present is that Britain should, like our country, continue to make efforts to promote peaceful cooperation between China and Britain instead of creating new obstacles. Recently, Britain, following the United States, participated in the South-east Asia military alliance and further followed the United States in obstructing our country from attaining her proper status and rights in the United Nations. Are these not new obstacles to the improvement of Sino-British relations ?

Negotiations are proceeding for the improvement of relations between China and Norway and between China and the Netherlands.

The Government of the People's Republic of China is willing to establish peaceful and cooperative relations with any country in Europe, South and North America and Australia, provided that it has the same desire and sincerity.

The People's Republic of China attaches importance to the broadening of economic and cultural contacts between nations, for this is very important to the improvement of the economic conditions of the nations, the enhancement of mutual understanding and the promotion of international cooperation. In the past five years, China's foreign trade has developed every year. The volume of China's trade with Western countries grew considerably in 1950. But this trade suffered from artificial restrictions later because the United States coerced other Western countries into carrying out a policy of embargo

and discrimination against China and instructed the traitorous Chiang Kai-shek gang to carry out piratical activities on the seas off South-east China. Facts have shown that the pursuit of this policy of embargo and discrimination has a result exactly opposite to the desires of its initiators. For it is not China which has been hurt most by the embargo but the countries carrying out this United States policy. It is, therefore, entirely understandable that nowadays, great numbers of far-sighted statesmen and men of industrial and commercial circles of all countries have opposed the United States policy of embargo and discrimination.

There are some 12 million Chinese residing outside the country. They have lived amicably for years with the peoples of the countries in which they reside and have made certain contributions to the local economic development and prosperity. Overseas Chinese warmly love their homeland. Generally they do not take part in the political activities of the countries in which they live. For the past few years, they have been under very difficult conditions in the countries which are unfriendly to China. We hope that these countries will not discriminate against the overseas Chinese and will respect their legitimate rights and interests. For our part, we are willing to urge the overseas Chinese to respect the laws of the governments and the social customs of all the countries in which they live. It is worth pointing out that the question of the nationality of the overseas Chinese is one which the reactionary governments of China in the past never tried to solve. This placed the overseas Chinese in a difficult situation and often led to discord between China and the countries concerned. To improve this situation, we are prepared to settle this question and are ready to settle it first with the South-east Asian countries which have established diplomatic relations with us.

As mentioned above, the people and Government of the People's Republic of China have made considerable efforts during the past five years to establish diplomatic relations and develop economic and cultural contacts with all nations in order to defend world peace and promote international co-operation. However, during the same period, the international aggressive bloc headed by the United States has all along been hostile to our country and, disregarding the opposition of world public opinion and of the governments of many countries, has up to now arbitrarily and unreasonably deprived our country of its legal status and rights in the United Nations.

In June, 1950, the U. S. Government launched an aggressive war against Korea and at the same time occupied China's province, Taiwan, leaving the Chinese people no alternative but to launch the great Movement to Resist United States Aggression and Aid Korea. The victorious struggle of the Chinese People's Volunteers and the Korean People's Army compelled the United States to accept an armistice in July 1953. But more than a year has elapsed and the United States Government still refuses to settle peacefully the Korean question.

Because of the truculent policy of sabotage pursued by the United States Government and the Syngman Rhee clique, the Geneva Conference did not reach agreement on a peaceful settlement of the Korean question. But the Korean question was not struck off the agenda. The peace-loving countries and peoples of the world will not permit the Korean question to remain long unsettled. We are of the opinion that, following the example of the settlement of the Indo-China question at the Geneva Conference, a conference with the participation of neutral Asian nations should be called to discuss once again

the peaceful settlement of the Korean question, so as to settle speedily the question of peacefully unifying Korea in line with the principles of respecting the national rights of the Korean people and contributing to the defence of peace in Asia and the world.

The Geneva Conference overcame the obstruction of the United States Government and finally reached agreement on the question of restoring peace in Indo-China. The agreements reached at the Geneva Conference and the recent rejection of the "European Defence Community" treaty by the French National Assembly signify victory for the peace forces and defeat for the war forces. This has brought about a further easing of international tension.

However, the United States and some Western nations have not given up their war policies. They unreasonably put forward preconditions on the European question, attempting to reject the proposals of the Soviet Union concerning the German question and the establishment of a European collective security system. Moreover, the United States and Britain are manoeuvring actively in an attempt to drag West Germany into the military bloc of the Western countries under another label. In Asia, the United States aggressive group recently pulled together a conference of eight countries in Manila which concluded a so-called South-east Asia Collective Defence Treaty. This treaty shows that the purpose of the United States is the destruction of the Geneva Conference agreements, the organisation of a military alliance to split Asia, hostility to the People's Republic of China, interference in the internal affairs of the Asian countries and the creation of new tension. In my report on foreign affairs made on August 11th, 1954 to the Central People's Government Council, I have indicated to all

the states concerned that the Chinese Government firmly opposes the formation of the so-called South-east Asia treaty organisation by the United States aggressive group.

It should be pointed out that, with the exception of the three Asian countries which have concluded military aid agreements with the United States, all the countries taking part in the so-called South-east Asia Collective Defence Treaty are not Asian countries. Obviously what is established through this treaty is nothing but a military alliance of colonial powers. This military alliance not only supports the United States policy of making China the main object of hostility in the Far East, but also facilitates United States aggression against Asian countries from all directions. With this treaty, on the pretext of non-existent "Communist aggression," the United States can create division in Asia by freely spreading fears and apprehensions and instigating some Asian countries to oppose other Asian nations. With this treaty, on the pretext of preventing and countering what it calls "subversive activities," the United States can, whenever it likes, interfere in the internal affairs of South-east Asian countries and suppress the national liberation movements in Asia. With this treaty, using the provisions for "economic measures," the United States can strip South-east Asia of strategic materials, enslave the people there and build up its own colonial rule. With this treaty, on the pretext that region is "threatened by any fact or situation which might endanger the peace of the area," the United States can freely name any area as coming under its so-called protection so as to extend its armed intervention to other parts of Asia. In fact, not only is the alleged "danger of aggression" against Thailand and the Philippines by China a sheer fabrication, but also the view that normal diplomatic relations cannot be established between China and Thai-

land and between China and the Philippines is groundless. They are only pretexts used by the governments of these two countries to justify their service to the American aggressive forces. From all this, it can be seen that through the military alliance under this treaty, the colonialists attempt to dictate the destiny of Asian countries and to trample upon the Asian people's right to self-determination. Such a treaty runs counter to the purposes and principles of the United Nations Charter. The chief countries of South-east Asia, such as India, Indonesia, Burma and Ceylon, treasuring their freedom and independence, all refused to take part in the Manila conference. The Government of the People's Republic of China fully supports the just position of these four countries and firmly opposes the military alliance which aims at splitting South-east Asia.

The states that signed the "South-east Asia Collective Defence Treaty" arbitrarily included in the area under their "protection" Cambodia, Laos and the southern part of Viet-Nam, in an attempt to prevent the carrying out of the Geneva agreements on Cambodia, Laos and Viet-Nam. This attempt is fundamentally at variance with the commitments regarding Cambodia, Laos and Viet-Nam assumed by the states that participated in the Geneva Conference. It must be pointed out that all the countries that took part in the Geneva Conference on the restoration of peace in Indo-China are under obligation to guarantee the strict implementation of the Geneva agreements. But soon after the conclusion of the agreements, the United States has organised a military alliance aimed at splitting South-east Asia and endangering collective peace. This is an open infringement of the Geneva agreements.

The Ministry of Foreign Affairs of the Soviet Govern-

ment on September 14th, 1954, issued a statement on the question of the "South-east Asia Collective Defence Treaty," pointing out that the states participating in this military alliance should assume the entire responsibility for their actions, which are in violent contradiction to the tasks of strengthening peace. This view is identical with that of the Chinese Government.

The policy of the colonial powers to dictate the destiny of Asian countries is incompatible with the independence and sovereignty of the Asian countries and conflicts with the spirit of the Geneva agreements. What Asian countries need are peace and cooperation, not war and hostility. Asian countries should consult together and take every effective measure to promote collective cooperation and jointly strive to defend collective peace and security in Asia. This proposal of ours does not exclude any country outside Asia.

The American aggressive group, which is pursuing a war policy, has not only organised the South-east Asia war bloc to intensify war preparations but is also trying hard to expand the war which is now in progress. They have tried to conduct armed intervention against China and menace Asia from three fronts—Taiwan, Korea and Indo-China. Now that the flames of war in Korea and Indo-China have been put out one after another, the United States aggressive group has intensified its use of the traitorous Chiang Kai-shek group in Taiwan to enlarge the war of harassment and destruction against China's mainland and sea coast in an attempt to extend their intervention against China and their menace to Asia.

Directed and assisted by the United States aggressive group, the traitorous Chiang Kai-shek group is using Taiwan

as its base to conduct daily more frantic attacks against our coastal islands, to bomb our coastal cities, to rob our fishermen along the coastal areas, to plunder and seize our merchant ships and vessels of all countries trading with China, and to despatch special agents to infiltrate into the mainland for sabotage. This traitorous group defrauds and victimizes overseas Chinese, loots their property and tricks their sons into serving as cannon-fodder. This traitorous group is stepping up its extortion in Taiwan, stripping the people of their wealth, reorganising its military forces, clamouring to attack the mainland and is bent upon provoking world war. Therefore, this group is the public enemy not only of the Chinese people, but also of all peace-loving peoples in Asia and the world.

The United States 7th Fleet is still occupying the Taiwan Straits. Recently, the United States Government declared its intention to use the 7th Fleet to prevent the Chinese people from liberating Taiwan. The United States aggressive group is scheming to conclude a so-called bilateral mutual security pact with the traitorous Chiang Kai-shek group. At the same time, it is trying to line up the reactionary forces in Japan, the Syngman Rhee clique in South Korea and the Chiang Kai-shek group of traitors into a so-called North-east Asian defence alliance and link it up with the "South-east Asia treaty organisation." This series of conspiracies of the United States aggressive group is obviously spearheaded against the six hundred million people of China and is a challenge to the Asian peoples and to international peace.

The Government of the People's Republic of China has repeatedly stated that Taiwan is China's sacred and inviolable territory and that no United States infringement or occupation will be tolerated. Our compatriots on Taiwan, including

the Kaoshan people, have always been members of the big Chinese family of nationalities and their enslavement by the United States will never be tolerated. The liberation of Taiwan is China's sovereign right and internal affair and no interference by any foreign country will be tolerated. Both the Cairo Declaration and the Potsdam Declaration, to which the United States is a signatory, affirm that Taiwan is Chinese territory and the perfidious violation of these solemn international agreements by the United States will not be permitted. Any pact signed between the United States Government and the traitorous Chiang Kai-shek group holding on to Taiwan is illegal. In this connection it must be pointed out that all proposals to place Taiwan under United Nations trusteeship or under neutral mandate or to "neutralise" Taiwan or to create a so-called "independent Taiwan state" are attempts to carve up China's territory, enslave the Chinese people on Taiwan and legalise the United States occupation of Taiwan. All this absolutely will not be tolerated by the Chinese people.

The Chinese people must liberate Taiwan. So long as Taiwan is not liberated, China's territory is not intact, China cannot have a tranquil environment for peaceful construction and peace in the Far East and throughout the world is not secure. On August 11th, 1954, the Central People's Government Council passed a resolution urging all Chinese people and the Chinese People's Liberation Army to redouble their efforts in all fields of work and strive for the liberation of Taiwan and the elimination of the traitorous Chiang Kai-shek group, so as to complete our people's sacred task of liberation. On August 22nd, all the democratic parties and groups and people's organisations of China issued a joint declaration on the liberation of Taiwan in response to this

call of the Central People's Government. This is a manifestation of the unshakable common will of the six hundred million people of China.

In order to further reduce international tension, in order to eliminate the threat of war and safeguard world peace, we believe that the United States fleet occupying the Taiwan Straits must be withdrawn, the legal status and rights of the People's Republic of China in the United Nations must be restored, the proposals for collective peace in place of war blocs must be realised, the plans for reviving Japanese and German militarism must be stopped and the universal desire of the people throughout the world to reduce armaments and prohibit the use of atomic, hydrogen and other weapons of mass destruction must be satisfied. All this is the common desire of the peace-loving people throughout the world.

Fellow deputies ! Our work of Socialist construction and Socialist transformation is a just cause ; our cause of liberating Taiwan, safeguarding the sovereignty and territorial integrity of our country and defending peace in the Far East and the whole world is also a just one. Chairman Mao Tse-tung has said that a just cause is invulnerable to any enemy. Our just cause is able not only to unite the people of the whole country, but also to rally the support of all international friends.

During the past five years, the Central People's Government, under the leadership of the Communist Party of China and Chairman Mao Tse-tung, has worked along the lines of the objectives laid down in the Common Programme and won the support of the people of the whole country. It ought to be stated that our work has been victorious. This victory is a people's victory. The glory of this victory belongs to the

people. Now the National People's Congress has passed the Constitution of the People's Republic of China. We believe that the state administrative organ which will be shortly formed by the first session of the National People's Congress, can certainly fulfil its own responsibilities and carry forward the various undertakings of our country to new, greater victories, along the lines of the objectives laid down in this great people's Constitution and with the support of the people of the whole country and the supervision of the National People's Congress.



